

Commission Meeting Minutes
May 13, 2015

Chairman Brown called the meeting to order at 10:40 AM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, John Langan, Robert McCarthy, and Gerald McDonough. He reported that Commissioner James Machado was not in attendance.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes, that a stenographer is taking notes, and asked that everyone state their names prior to speaking.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, Deputy Director/General Counsel John Parsons, Director of Administrative Services Caroline Carcia, Actuary James Lamenzo, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Director of Strategic Planning Mike DeVito, Deputy Chief Auditor Jim Tivnan, Chief Financial Officer Virginia Barrows, Director of Information Systems Dan Boyle, Compliance Analyst Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Tom Gibson from Middlesex and Belmont Retirement Boards, Sean Neilon from the Massachusetts Teachers' Retirement Board, Kimberly Fletcher from the Newton Retirement Board, Rob Roberts from Collaborative Consulting, and Jane Williamson from Doris O. Wong Associates.

Commissioner McDonough made a motion to adopt the minutes of the April 8, 2015 meeting as presented. Commissioner Fontaine seconded the motion and the minutes were unanimously adopted.

Administrative Sub-Committee

Chairman Brown stated that the Administrative Sub-Committee met on April 28, 2015 to consider PERAC's FY 16 Proposed Budget and the possibility of hosting a Strategic Planning Event as in the past. The Sub-Committee adopted the Budget but requested additional information pertaining to proposed IT changes and upgrades from Collaborative Consultants before the full Commission.

Mr. Connarton inquired if there were any questions about the FY 16 proposed Budget. He reported that the budget will be increased to \$8,399,506. This is a 0.9% increase from FY 15 due to an increase in fringe benefit costs and salary adjustments for staff. He is requesting a possible Capital Budget for FY 16 and FY 17 for current and future changes and processes in the IT systems and is estimated at approximately \$3 Million. PERAC needs to be more efficient and more interactive with of the digital world. He reminded the Commission how much paperwork is accumulated for the Disability, Audit / Fraud, and Investment Units. In an attempt to streamline our system, Collaborative Consultants have created a road map which will enhance our capability to support the business goals for the future. He further stated that the Consultants have met with every Unit and individual at PERAC. Mr. Connarton introduced Dan Boyle and Rob Roberts to make a presentation to the Commission regarding this matter.

Mr. Dan Boyle, PERAC's Director of Information Systems, distributed a slide show which was discussed. He then provided some statistics that may be interesting about retirees as provided by the PEW Research Center.

Mr. Rob Roberts, Senior Business Architect from Collaborative Consulting, gave a presentation on the current assessment of PERAC's applications and what the applications should look like in the future. He explained the approach, the highlights, and the roadmap on how to get there.

The Commission then had a few questions for Mr. Roberts and Mr. Boyle such as:

Would MassIT be involved – Mr. Boyle responded that they would be meeting and will inquire if there are any capabilities that can be leveraged at MassIT.

How would the Security be improved – Mr. Boyle explained that the authorization piece of security is custom to each application at present and that a more modern centralized approach would be used in the new applications to make them more secure.

Would an RFP be issued – Mr. Boyle responded that a couple RFQs would be posted for this project. The RFQ would be structured in such a way to hold the vendor's performance accountable.

Mr. Connarton stated that he hopes to have a proposal ready for the Commission's consideration of a FY 16 and FY 17 Capital Budget at the June Commission meeting.

On behalf of the full Commission, Commissioner McDonough made a motion to accept PERAC's proposed FY 16 budget as presented. Commissioner Fontaine seconded the motion and the motion was unanimously adopted.

Chairman Brown stated that the last item discussed at the Administrative Sub-Committee meeting was the planning of a Strategic Planning Event to be held in October.

Ms. Carcia stated that the last event was held at Bentley College in Waltham, June 2012. Ms. Boisvert will work with the Commissioners to narrow down a date for October / November 2015.

Mr. Connarton stated that he has reached out to Mr. David Haley, formerly the Director of HRD, who facilitated the 2012 Strategic Plan.

The Commission suggested that this meeting be held for one day.

Legal Update

Mr. Parsons updated the Commission about *Stoneham Retirement Board v. PERAC*, CR-12-548; *Cambridge Retirement Board v. PERAC & Elizabeth Cadigan*, CR-12-574; and *Barnstable County Ret. Bd. v. PERAC*, CR-12-572.

Mr. Moitoso updated the Commission about *Dorothy Martin v. Concord Retirement Board & PERAC*, CR-11-157 (DALA 2015) and *Fletcher, Thornton & Moscato v. PERAC*, CR-11-118, 22-123, 11-153 (DALA 2015).

Mr. Hill updated the Commission about *Kelleher v. Barnstable County Retirement Board and PERAC*, CR-10-794.

Mr. Charles updated the Commission about *Hampshire County Retirement Board v. PERAC*, CR-09-1029 & CR-10-156; and *Robert Vernava v. Swampscott Retirement Board & PERAC*, CR-12-640.

Legislative Update

Mr. DeVito reported that PERAC's bill number H. 17 has been assigned to Public Service, that the ERI bill has been signed by the Governor and is now known as Chapter 19 of the Acts of 2015, and H. 3401 has been filed as an amendment in the House Budget that would weaken Chapter 176 of the Acts of 2011. H. 3401 would change the procurement requirements from 5 to 10 years for investment, audit, actuarial and legal services. PERAC has for the first time sent a letter (distributed) to the Senate to step in and decline this amendment as we believe this is a serious step back. House Chairman James Murphy filed this bill.

State Retirement Board Valuation

Mr. Lamenzo notified Commission of a series of additional disclosures (from the draft report presented last month) in the final 1/1/15 State Retirement Board Valuation report as distributed. He explained these disclosures are based on new actuarial standards of practice. The disclosures include a paragraph indicating that future actuarial measurements may differ from current measurements due to a number of factors including plan experience differing from that anticipated by the economic or demographic assumptions and changes in plan provisions. The disclosures also include a discussion of funded status and show the unfunded actuarial liability and funded ratio on a market value basis. He continued that the actuarial assumptions now indicate the rationale behind the assumptions – this analysis includes reviewing past history, assessing current and future trends, and using professional judgment.

Audit Update

Mr. Tivnan reported that audits are currently occurring at the Bristol County, Fitchburg, Hampshire County, and Malden Retirement Boards. Internal reviews are being conducted on the audit reports for the Arlington, New Bedford, Quincy, Shrewsbury, State, and Teachers' Retirement Boards. He stated that he is waiting for responses from the Blue Hills, Pittsfield, and West Springfield Retirement Boards regarding their respective audits. Mr. Tivnan reported that no audit reports have been posted on the PERAC Web Page since the last Commission meeting. Finally, Mr. Tivnan reviewed the findings of the Franklin Regional Retirement Board follow-up.

Compliance Update

Mr. O'Donnell reported that the unit is currently engrossed in preparing for the MACRS training session. He then stated that the SFI forms were due on May 1, however, there are a few individuals who will need to be reminded to file. He further stated how difficult it is explaining to those members who are no longer affiliated with a board that they still need to file, for example the members who were not reappointed or the members from the Athol Retirement Board. Finally, Mr. O'Donnell stated that currently the unit is collecting, scanning, and reviewing the vendors' annual disclosures and have received about 90%.

Executive Director's Report

Mr. Connarton reported on staff activities since the last Commission meeting. He then pointed out two meetings of interest.

Mr. Connarton reported that Commissioner Langan and he met with Martha Walsh, Assistant Secretary of A&F and provided an overview of the our agencies mission, goals, and responsibilities. Ms. Walsh is familiar with PERAC as she has been in state government for some time. He then reported that Ms. Walsh stated that A&F is very aware that we are of but not under A&F which is the approach the administration is taking.

Mr. Connarton reported that Mr. Parsons and he met with Colonel Alben and several others about having the state police participate in the Medical Panel process. The Colonel is interested in the prospect but there is an issue with our timeline. He explained their 12 month time line process, during which the trooper has been examined by a surgeon, independent medical doctor and have gone to the Rating Board. If our process were included, we would add a significant length of time. PERAC would require all individual medical records, job descriptions, job duties, and such. We would review that information, establish a medical panel, forward all the information to our physicians who have 60 days to respond, and then report that back to the state police. This process would have to be expedited and the statute would have to be changed. The Union seems to be on board but reservations exist with both the Union and the Colonel. We have all agreed to come up with a process that would be advantageous to all parties and will update the Commission as the process moves along.

Mr. Connarton explained that the Chairman and he had visited the MBTA Retirement Fund. He stated that the MBTA Retirement Fund have an impressive management team with Michael Mulhern, Executive Director, and John Barry, Deputy Executive Director. They are aware of and are expanding on transparency and are addressing their IT issues, the investments, and publications.

Chairman Brown expressed that Mr. Mulhern and Mr. Barry are interested in sharing their best practices with the public and are trying to be as proactive as possible. They are involved in some of the same sort of IT changes that we are.

Mr. Connarton reported that the Brockton Retirement Board election has been cancelled and explained the issue. A campaign letter was sent out by the incumbent on board letterhead, in a board envelope, and was received by the voters the same day as the ballots were received. The complainant (a fellow interested party) reported this to PERAC. He discussed the matter with both individuals and the Chairman of the board and all agreed to cancel this election and start over.

Mr. Connarton reported that he was interviewed by several media outlets recently regarding disability retirees. He stated that Fox 25 has done a story on a retired corrections officer who has posted himself on Facebook or YouTube winning multiple awards in body building. He is not sure when this interview will air but he will notify the Commission when it is expected to be released.

Mr. Parsons reported that he attended the NCPERS Conference in New Orleans with Commissioners Machado and McCarthy. He distributed some presentations and studies that were provided at the conference. Some of the presentations included transferring from a defined benefit plan to a defined contribution plan, funding practices, income inequality, and a movement at the national level regarding a Code of Conduct (new concept). He believes that Massachusetts looks pretty good when being compared to other states.

Commissioner McCarthy was re-elected as a board member at NCPERS.

Chairman Brown stated that an article from the New York Times entitled *Pension Funds Can Only Guess at Private Equity's Cost* and *After Scandals, Evaluating Pension Funds' Middleman* are two (2) good articles about investments.

Commission Travel

Mr. Connarton informed the Commission of the upcoming MACRS conference being held in Hyannis from May 31 through June 3, 2015.

Commissioner McCarthy moved to allow PERAC members and staff to attend. Commissioner McDonough seconded the motion and the motion was adopted.

Chairman Brown asked for a brief recess at 12:25 PM

Executive Session

At 12:50 PM Chairman Brown called for a roll call vote of the Commission to go into Executive Session to discuss investigatory materials necessarily compiled out of the public view by PERAC, the disclosure of which materials would probably so prejudice the possibility of effective law enforcement that such disclosure would not be in the public interest.

Chairman Philip Brown YES, Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, John Langan YES, and Robert McCarthy YES.

Chairman announced that the Commission will reconvene in open session after the completion of the Executive Session.

A roll call vote was taken in Executive Session to return to the regular order of business and to adjourn the Executive Session at 1:05 PM.

Commissioner Fitzpatrick made a motion to adjourn the meeting. Commissioner McDonough seconded the motion and the motion was adopted. The Commission meeting adjourned at 1:06 PM.

Commission Meeting Documents

Commission Agenda for the meeting of May 13, 2015

Commission Minutes for April 8, 2015

Administrative Sub-Committee Meeting Update

Proposed Fiscal Year 16 Budget with cover memo
2012 Strategic Plan

Legal Update

Cover memos and cases for the following:

Stoneham Retirement Board v. PERAC, CR-12-548

Cambridge Retirement Board v. PERAC & Elizabeth Cadigan, CR-12-574

Barnstable County Ret. Bd. v. PERAC, CR-12-572.

Dorothy Martin v. Concord Retirement Board & PERAC, CR-11-157 (DALA 2015)

Fletcher, Thornton & Moscato v. PERAC, CR-11-118, 22-123, 11-153 (DALA 2015)

Kelleher v. Barnstable County Retirement Board and PERAC, CR-10-794

Hampshire County Retirement Board v. PERAC, CR-09-1029 & CR-10-156

Robert Vernava v. Swampscott Retirement Board & PERAC, CR-12-640

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC follow up audit letter

Executive Director's Report

Updated Staff Activities Memo

Correspondence with the Brockton Retirement Board

Commission Travel

MACRS Agenda - May 31 – June 2, 2015

Other Documents

New York Times article *Pension Funds Can Only Guess at Private Equity's Cost*

Correspondence with the Braintree Retirement Board

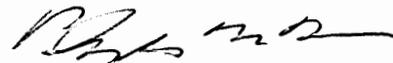
Distributed at Meeting

Collaborative Consultants Project Overview

PERAC Correspondence regarding House Budget Amendments

1/1/15 State Retirement System Actuarial Valuation Report

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission